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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

PACESETTER INC. d/b/a ST.)	CV 11-3964 RSWL(FFMx)
JUDE MEDICAL CRMD, a)	
Delaware Corporation)	
)	
Plaintiff,)	STATEMENT OF
)	UNCONTROVERTED
v.)	FACTS AND CONCLUSIONS
)	OF LAW
)	
SURMODICS, INC., a)	
Minnesota Corporation)	
)	
Defendant.)	

After considering the papers and arguments in support of and in opposition to Plaintiff Pacesetter Inc. d/b/a St. Jude Medical CRMD's ("St. Jude" or "Plaintiff") Motion for Summary Judgment and Defendant SurModics, Inc.'s ("SurModics" or "Defendant") Cross-Motion for Summary Judgment, this Court makes the following findings of fact and conclusions of law:

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UNCONTROVERTED FACTS

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2 1. On December 6, 2002, St. Jude and SurModics
3 entered into a Master License Agreement ["License
4 Agreement"] that licensed St. Jude to use SurModics's
5 patented chemical coatings on St. Jude's products.
6 Holdreith Decl. ¶ 2, Ex. 1; Cruz Decl. ¶3, Ex. A.

7 2. A true and correct copy of the License
8 Agreement is attached to the Complaint. Holdreith
9 Decl. ¶ 2, Ex. 1; Cruz Decl. ¶3, Ex. A.

10 3. During the term of the License Agreement, St.
11 Jude made quarterly payments to SurModics. Frankel
12 Decl. ¶ 6.

13 4. In early 2008, the patents on SurModics's
14 chemical coatings expired, and St. Jude stopped paying
15 royalties in April 2008. Frankel Decl. ¶ 8, Cruz Decl.
16 Ex. D.

17 5. On May 20, 2009, SurModics did an audit of St.
18 Jude's books to validate St. Jude's royalty payments
19 paid over the course of the License Agreement. Cruz
20 Decl. ¶ 5, Ex. C.

21 6. On March 23, 2010, SurModics sent St. Jude an
22 audit report that requested additional royalties of
23 over \$3 million for products that had been manufactured
24 during the License Agreement but sold after the
25 expiration of SurModics's patents. Cruz Decl. ¶ 6, Ex.
26 D.

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CONCLUSIONS OF LAW

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2 1. Summary judgment is appropriate when there is
3 no genuine issue of material fact and the moving party
4 is entitled to judgment as a matter of law. Fed. R.
5 Civ. P. 56(a).

6 2. Given that patent license agreement are
7 governed by ordinary principles of state contract law,
8 this Court follows the choice of law provisions
9 indicated by the license agreement and interpret the
10 contract based on Minnesota law. Power Lift, Inc. v.
11 Weatherford Nipple-up Systems, Inc., 871 F.2d 1082,
12 1085 (Fed. Cir. 1989).

13 3. Whether a contract is ambiguous is a question
14 of law. City of Virginia v. Northland Office Props
15 Ltd. P'ship, 465 N.W.2d 424, 427 (Minn. Ct. App. 1991).

16 4. Determining whether a contract is ambiguous
17 "depends, not upon words or phrases read in isolation,
18 but rather upon the meaning assigned to the words or
19 phrases in accordance with the apparent purpose of the
20 contract as a whole." Art Goebel, Inc. v. North
21 Suburban Agencies, Inc., 567 N.W.2d 511, 515 (Minn.
22 1997).

23 5. The mere fact that there is a disagreement "on
24 the interpretation of contract language is not
25 determinative that the contract language is ambiguous."
26 Bank Midwest, Minn., Iowa, N.A. v. Lipetzky, 674 N.W.2d
27 176, 179 (Minn. 2004).

28 6. The Court finds that the License Agreement in

1 this case is unambiguous.

2 5. Given that the language of the License
3 Agreement is unambiguous, this Court interprets the
4 language of the License Agreement without examining
5 extrinsic evidence such as course of performance. Hous
6 & Redev. Auth. v. Norman, 696 N.W.2D 329, 337 (Minn.
7 2005)("Under a contract analysis, we first look to the
8 language of the contract and examine extrinsic evidence
9 of intent only if the contract is ambiguous on its
10 face.").

11 6. According to patent law, "whoever without
12 authority *makes*, uses, offers to sell, or sells any
13 patent invention within the United States . . . *during*
14 *the term of the patent therefore, infringes the*
15 *patent.*" 35 U.S.C. § 271(a)(emphasis added)

16 7. Once a patent expires, it is "in the public
17 domain and may be made and sold by whoever chooses to
18 do so." Sears Roebuck & Co. v. Stiffel Co., 376 U.S.
19 225, 231 (1964).

20 8. When the language of Paragraph 1(d)(i) of the
21 License Agreement is read in the context of patent law,
22 any product based on SurModics's patents that St. Jude
23 manufactured during the term of SurModics's patents is
24 a "Licensed Product."

25 9. Attachments B1 and B2 of the License Agreement
26 are unambiguous in only requiring St. Jude to pay
27 "Earned Royalties on Net Sales of . . . Licensed
28 Products."

1 10. St. Jude's primary obligation for royalties
2 are those that are calculated from the "Net Sales."
3 These "Net Sales" are "the total actual billing for
4 sales of Licensed Products." Cruz Decl. ¶3, Ex. A at
5 ¶1(h).

6 11. The Court finds that royalties are not owed on
7 Licensed Products simply because they have been
8 manufactured by St. Jude, rather the plain language is
9 explicit in only obligating St. Jude to pay royalties
10 for products that are actually sold.

11 12. Royalties calculated from the "Net Sales" of
12 Licensed Products are only required to be paid by St.
13 Jude to SurModics "during the term of this Agreement."
14 Cruz Decl. ¶3, Ex. A at ¶5.

15 13. Given that royalties are expressly limited in
16 Paragraph 5 to payment during the "term of this
17 Agreement," when read together with Paragraphs 8 and
18 25, this Court finds that it is plain and unambiguous
19 that St. Jude's obligation to pay royalties ended with
20 the expiration of SurModics's patents.

21
22 DATED: October 25, 2011

23 **IT IS SO ORDERED.**

24 RONALD S.W. LEW

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26 _____
27 HONORABLE RONALD S.W. LEW
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